Calendar No. 1010

101ST CONGRESS
2d Session

SENATE

REPORT
101-548

INCREASING THE AMOUNT OF PETROLEUM PRODUCTS THAT MAY BE WITHDRAWN FROM THE STRATEGIC PETROLEUM RESERVE UNDER A CERTAIN PROVISION OF THE ENERGY POLICY AND CONSERVATION ACT

OCTOBER 19 (legislative day, OCTOBER 2), 1990.—Ordered to be printed

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Mr. JOHNSTON, from the Committee on Energy and Natural Resources, submitted the following

REPORT

[To accompany H.R. 5731]

The Committee on Energy and Natural Resources, to which was referred the Act (H.R. 5731), to increase the amount of petroleum products that may be withdrawn from the Strategic Petroleum Reserve under a certain provision of the Energy Policy and Conservation Act, having considered the same, reports favorably thereon without amendment and recommends that the Act do pass.

PURPOSE OF THE MEASURE

The purpose of H.R. 5731 is to increase the amount of petroleum products that can be withdrawn from the Strategic Petroleum Reserve during an SPR test under a certain provision of the Energy Policy and Conservation Act (EPCA).

BACKGROUND AND NEED

The Energy Policy and Conservation Act Amendments of 1990 (Public Law 101-383) authorized the Secretary of Energy to carry out test drawdown and distribution of crude oil from the Reserve in an amount not to exceed 5 million barrels. This authority is provided by section 161(g) of EPCA. On September 26, 1990, President Bush announced a 5-million barrel test using this authority and on September 28 the Department of Energy issued its "notice of sale" for SPR crude oil. On October 10, eleven firms were selected to purchase about 4 million barrels of crude oil from the Reserve as part of the test.

Earlier, on September 27, Secretary Watkins testified before the House Energy and Commerce Committee that a 5-million barrel test sale would show the readiness of the Reserve. He said that

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while a larger test might exercise the Reserve's pumping and distribution hardware more fully, the 5-million barrel test would be adequate. Subsequently, the House of Representatives passed H.R. 5731 which would authorize a test of up to 15 million barrels.

Currently, the Department of Energy performs thorough physical tests of Reserve facilities on roughly an annual basis. Crude oil is drawn out of storage and pumped at maximum rates through the system to the point at which it would connect with the commercial distribution network; however, actual crude oil sales do not occur. The physical capabilities of the system thus are not in question. The 5-million barrel test sale conducted in September and October and the 1-million barrel test sale conducted in 1985 amply demonstrate the ability of the Department to perform the administrative duties connected with a drawdown and distribution.

Uncertainty exists over the benefits to be derived from a larger test sale. H.R. 5731 would merely authorize such a test, not mandate it. If additional benefits are to be gained by a larger test, the Secretary thus would be provided the flexibility to conduct such a test.

Legislative History

At the business meeting on October 11, 1990, the Senate Committee on Energy and Natural Resources ordered H.R. 5731 favorably reported.

Committe Recommendations and Tabulation of Votes

The Senate Committee on Energy and Natural Resources, in open business session on October 11, 1990, by a voice vote with a quorum present, recommended that the Senate pass H.R. 5731 as described herein.

Cost and Budgetary Considerations

There was no estimate of the cost of this measure available from the Congressional budget Office:

U.S. Congress,
Congressional Budget Office,
Washington, DC, October 18, 1990.

Hon. J. Bennett Johnston, Jr.,
Chairman, Committee on Energy and Natural Resources,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has reviewed H.R. 5731, an act to increase the amount of petroleum products that may be withdrawn from the Strategic Petroleum Reserve under a certain provision of the Energy Policy and Conservation Act, as ordered reported by the Senate Committee on Energy and Natural Resources on October 11, 1990. CBO estimates that enacting H.R. 5731 would result in no additional cost to the federal government and would not affect the budgets of state or local governments.

H.R. 5731 would increase the maximum size of a test drawdown of the Strategic Petroleum Reserve (SPR) from 5 million barrels to 15 million barrels. The Department of Energy (DOE) currently is

conducting a test drawdown of approximately 5 million barrels. According to DOE, at present there are no plans for further tests.

If H.R. 5731 were enacted, and if as a result DOE were to conduct another test drawdown of the SPR, the amount of oil sold could be higher than under current law. Regardless of the size of any test drawdown, however, DOE would be required by law to use test sale receipts to replace any oil sold within 12 months of completing the test. Because of this requirement, the net budget impact of any SPR test drawdown under H.R. 5731 is likely to be small. The net impact could be either positive or negative, depending on whether oil prices rise or fall during the period between a test drawdown and the purchase of replacement oil.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Pete Fontaine, who can be reached at 226–2860.

Sincerely,

ROBERT D. REISCHAUER,
Director.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out H.R. 5731. The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact of personal privacy.

Little, if any, additional paperwork would result from the enactment of H.R. 5731, as reported.

EXECUTIVE COMMUNICATIONS

The Committee on Energy and Natural Resources did not hold hearings on this measure within the time available, nor did the Committee request legislative reports from the Department of Energy and the Office of Management and Budget setting forth executive views on H.R. 5731.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill H.R. 5731, as ordered reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE I, ENERGY POLICY AND CONSERVATION ACT

(Public Law 94–163, as amended)

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DRAWDOWN AND DISTRIBUTION OF RESERVE

SEC. 161. * * *

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(g)(1) The Secretary shall conduct a continuing evaluation of the Distribution Plan. In the conduct of such evaluation, the Secretary is authorized to carry out test drawdown and distribution of crude from the Reserve. If any such test drawdown includes sale or exchange of crude oil, then the aggregate quantity of crude oil withdrawn from the Reserve may not exceed [5,000,000] *15,000,000* barrels during any such test drawdown or distribution.

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